

## Accounting and Financial Reporting for Educational Joint Powers Agreements/Agencies

### General Financial Reporting Requirements

*Education Code* Section 41023 provides that educational joint powers agreements/agencies (JPAs) consisting solely of school districts and county offices of education are subject to the same restrictions applicable to school districts and county offices, including preparation of budget and financial statements, certifications, accounting and auditing requirements, and expenditure and appropriation controls.

*Education Code* Section 41023 exempts JPAs established to provide insurance funds for losses and payments for such things as health and welfare benefits for employees, school district liability, and workers' compensation pursuant to *Education Code* Section 17567 (formerly *Education Code* Section 39603).

#### Guidelines for Financial Reporting in Specific Situations

The following guidelines for the Budget and Financial Reports (J-201/401/601), the Annual Program Cost Data Report (J-380/580/780), and the standardized account code structure (SACS) reports have been developed to standardize reporting for JPAs. The guidelines are designed to ensure that the revenues and expenditures for JPAs are not inadvertently "double counted" when financial data from all local educational agencies (LEAs) are aggregated into statewide totals.

1. Reporting Guidelines When JPAs Operate Regional Occupational Centers and Programs (ROCs/Ps)

*Education Code* Section 52321(a) allows ROCs/Ps established and maintained by JPAs to receive annual operating funds from each of the participating districts.

#### *Financial and Program Cost Reports*

If a district participates in a JPA in which the JPA operates the ROC/P, the district will recognize the ROC/P apportionments as Principal Apportionment ROC/P Entitlement (account 8311) on the J-201. The district will report the transfer of funds to the JPA as Other Outgo—ROC/P Transfers of Apportionments to JPAs (account 7233) on the J-201 and J-380 (EDP No. 480).

The JPA will recognize the revenues as Other Transfers In—From Districts (account 8731) and report the expenditures in the appropriate expenditure object

categories on the J-601. The JPA will report the expenditures in ROC/P (EDP No. 121) on the J-780 if the direct costs are instructional. If the direct costs are noninstructional, the JPA will first report the expenditures in the appropriate support services programs and then distribute the expenditures to EDP No. 121.

#### *SACS Reporting*

A district participating in a JPA in which the JPA operates the ROC/P will recognize the ROC/P apportionments as Other State Apportionments (Resource 6350 and Object 8311) and report the transfer of funds to the JPA as Transfers of Apportionments to JPAs (Resource 6350, Function 9000, and Object 7223).

The JPA will recognize the revenues as Transfers of Apportionments from Districts (Resource 6350 and Object 8791). The expenditures will be reported in the ROC/P goal (Goal 6000) and the appropriate functions, such as Instruction (Function 1000).

## 2. Reporting Guidelines When JPAs Are Responsible for Administering a Special Education Local Plan Area (SELPA)

In accordance with *Education Code* Section 56195.1(b), a school district may, in conjunction with one or more school districts, form a JPA and prepare a plan for the education of individuals with “exceptional needs” residing within those districts. The plan must include the designation of a “responsible local agency or alternative administrative agency” (e.g., one of the participating school districts) to receive and distribute the special education moneys.

#### *Financial and Program Cost Reports*

The responsible agency will report the special education funds in the appropriate revenue categories (e.g., Special Education Apportionments [account 8321]) and report the transfer as Other Outgo—Special Education SELPA Transfers of Apportionments to JPAs on the J-201/401 (account 7223) and J-380/580 (EDP No. 480).

The JPA will recognize the revenues as SELPA Transfers In—From Districts (account 8721) and report the expenditures in the appropriate expenditure object categories on the J-601. The JPA will report the expenditure activity in Special Education (EDP Nos. 200–255) on the J-780 if the direct costs are instructional. If the direct costs are noninstructional, the JPA will first report the expenditures in the appropriate support services programs and then distribute the expenditures to EDP Nos. 200–255.

#### *SACS Reporting*

The responsible agency will report the special education funds in the appropriate Special Education resource categories (e.g., Resource 6500) and report the transfer of funds to the JPA as Transfers of Apportionments to JPAs (e.g., Resource 6500, Function 9000, and Object 7223).

The JPA will recognize the revenues as Transfers of Apportionments from Districts (e.g., Resource 6500 and Object 8791). The expenditures will be reported in the Special Education goal (Goal 5000–5999) and the appropriate functions, such as Instruction (Function 1000).

3. Reporting Guidelines When JPAs Are Organized for the Purpose of Providing Transportation or Food Services

JPAs providing transportation or food services do so either (a) as a designated single school district; or (b) through a contract.

- a. Single School District JPA—If a JPA’s sole function is to provide school transportation services or school food services, the JPA may be designated as a single school district in accordance with *Education Code* sections 41980(a) and 41980(b) to receive state apportionments. No activity is reported on the district’s books if its transportation/food services are provided by a single district JPA.

*Financial and Program Cost Reports*

The JPA will report the apportionments or funds received (e.g., Home to School Transportation [account 8342], Special Education Transportation [account 8347], and Child Nutrition Programs [accounts 8220 and 8520]) and recognize the expenditures in the appropriate expenditure object categories on the J-601. The JPA will report the expenditure activity in Pupil Transportation (EDP No. 415) or Food Services (EDP No. 455) on the J-780.

*SACS Reporting*

The JPA will report the apportionments in the appropriate resource and object (e.g., Transportation—Home to School [Resource 7230, Object 8311], Transportation—Special Education [Resource 7240, Object 8311], and Child Nutrition Programs [Resource 5310, and Objects 8220 and 8520]). The expenditures will be reported in the appropriate functions (Pupil Transportation [Function 3600] and Food Services [Function 3700]).

- b. Contracted JPAs—When JPAs provide transportation/food services through a contract, the reporting is as follows:

*Financial and Program Cost Reports*

The district will report the expenditures associated with the JPA as Other Services and Operating Expenditures (account 5800) on the J-201/401.

The JPA will report the revenue received from the district as Interagency Services (account 8677) and report the expenditures in the appropriate expenditure object categories on the J-601. On the J-780, the JPA will first report the expenditures in Pupil Transportation (EDP No. 415) or Food Services (EDP No. 455) and then distribute the costs to Nonagency Activities—Educational (EDP No. 461).

#### *SACS Reporting*

The district will report the expenditures associated with the JPA as Professional/Consulting Services and Operating Expenditures (Object 5800) within the appropriate goal and function.

The JPA will report the revenue received from the district as Interagency Services Between LEAs (Object 8677) and report the expenditures as Nonagency—Educational (Goal 7110) in the appropriate function activity (e.g., Pupil Transportation [Function 3600] and Food Services [Function 3700]).

#### 4. Reporting Guidelines When School Districts or County Offices Contract with JPAs for Certain Services

If the reporting situations described do not apply, then the following guidelines should be used whenever school districts or county offices contract with JPAs for services (e.g., instructional services, support services, data processing services):

#### *Financial and Program Cost Reports*

The school district or county office will report the expenditures associated with the JPA as Other Services and Operating Expenditures (account 5800) on the J-201/401.

The JPA will report the revenue received from the school district or county office as Interagency Services (account 8677) and report the expenditures in the appropriate expenditure object categories on the J-601. The JPA will report the expenditure as Nonagency Activities—Educational (EDP No. 461) on the J-780 if the direct costs are instructional. If the direct costs are noninstructional, the JPA will first report the expenditures in the appropriate support services programs and then distribute the expenditures to EDP No. 461.

#### *SACS Reporting*

The school district or county office will report the expenditures associated with the JPA as Professional/Consulting Services and Operating Expenditures (Object 5800) within the appropriate goal and function.

The JPA will report the revenue received from the school district or county office as Interagency Services Between LEAs (Object 8677) under Nonagency—Educational (Goal 7110) in the appropriate function activity (e.g., Instruction [Function 1000] or Supervision of Instruction [Function 2100]).

## Indirect Cost Rates for JPAs

The California Department of Education (CDE) is responsible for approving indirect cost rates for LEAs. Although it does not generally approve indirect cost rates for JPAs, CDE can also approve an indirect cost rate for a JPA upon written request of the JPA if the JPA meets the following conditions:

1. The JPA has a county-district-school (CDS) code and is included on the CDE active list of JPAs filing the J-600 Report. (See “Issuance of CDS Codes for Educational JPAs” on page 608-6.)
2. The JPA is established to provide direct instructional and support services and operates its own administrative unit (e.g., ROC/P or SELPA JPAs), or the JPA is established to provide direct support services and operates its own administrative unit (e.g., pupil transportation, food services JPAs).

*Note:* Indirect cost rates will not be approved for JPAs that provide only central administrative services (e.g., payroll, accounting, data processing).

3. The JPA has filed a complete J-780 (or filed under SACS) for the appropriate year. Under the negotiated agreement with the United States Department of Education, indirect cost rates derived from the expenditure data of one fiscal year are applicable to programs in the second succeeding fiscal year. For example, rates derived from 1997-98 expenditure data are applicable to 1999-00 fiscal year programs.

*Note:* JPAs not filing under SACS have the option of filing a Matrix report in lieu of a J-780 report. However, an indirect cost rate will not be approved for a JPA that files only the Matrix report.

4. The JPA has properly assigned only those costs associated with central administrative services (such as budgeting, accounting, purchasing, personnel, and centralized data processing) to the numerator of the indirect cost rate calculation.

*Note:* Expenditure reports submitted from JPAs must pass CDE’s technical reporting checks and are subject to the same analysis CDE applies to school districts and county offices. (CDE checks the reasonableness of indirect cost rates. Zero rates or rates over 10 percent result in an exception.)

## Issuance of CDS Codes for Educational JPAs

The issuance of CDS codes will be limited to those JPAs that, consistent with the requirements of *Education Code* Section 41023, would appropriately file the J-600. JPAs established for insurance purposes under *Education Code* Section 17567 are excluded from the reporting requirements of *Education Code* Section 41023 and will not be issued CDS codes. When requesting a CDS code from the CDE, the JPAs should:

1. Include evidence that *Government Code* requirements for JPAs have been met. (See *Government Code* sections 6503.5 and 6503.7 regarding filing a notice of the JPA agreement with the Office of the Secretary of State and payment of the filing fee.)
2. Submit the request via the county office and have the approval of the county superintendent.
3. List all participants in the JPA.
4. Provide a description of the type of service provided by the JPA to the educational programs. Generally, JPAs provide instructional and support services (e.g., ROCs/Ps, SELPAs), support services (e.g., Pupil Transportation, Food Services, Utilities, Facilities Acquisition, Financing), or central administrative services (e.g., Payroll, Accounting, Data Processing, Legal).
5. Describe how the financial reporting will be accomplished. (See “Guidelines for Financial Reporting in Specific Situations,” pages 608-1 through 608-4.)